

**BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF CALIFORNIA**



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Application of California-American Water Company (U210W) for Authorization to Increase its Revenues for Water Service by \$18,473,900 or 9.55% in the year 2015, by \$8,264,700 or 3.90% in the year 2016, and by \$6,654,700 or 3.02% in the year 2017.

A.13-07-002  
(Filed July 1, 2013)

**COMPLIANCE FILING OF CALIFORNIA-AMERICAN WATER COMPANY  
RATE DESIGN – CENTRAL DIVISION**

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Dated: December 2, 2013

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Application of California-American Water Company (U210W) for Authorization to Increase its Revenues for Water Service by \$18,473,900 or 9.55% in the year 2015, by \$8,264,700 or 3.90% in the year 2016, and by \$6,654,700 or 3.02% in the year 2017.

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**I. INTRODUCTION**

In accordance with the scoping memorandum and ruling issued by the Commissioner Carla J. Peterman and Administrative Law Judge W. Anthony Colbert on November 22, 2013 (“scoping memo”), California-American Water Company (“California American Water”) respectfully submits its Central Division’s rate design proposal for its 2013 general rate case (“GRC”).

Attached to this filing as Appendix 1, is the updated Exhibit A, Chapter 10 for California American Water’s Central Division – otherwise known as its Monterey County District – as well as the updated Exhibit A, Chapter 10 for California American Water’s Monterey Wastewater District.<sup>1</sup> Appendix 1 includes proposed rate structures and bill impacts, where applicable. California American Water did not provide a rate design proposal in the original Exhibit A on July 1, 2013 or in the updated version, which was filed and served on October 9, 2013, as it was not clear what proposed changes, if any, needed to be made. It was only after the filing of the

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<sup>1</sup> In his supplemental testimony on rate design for the northern and southern divisions, David P. Stephenson stated that California American Water would provide bill comparisons for its Monterey Wastewater District in its December 2, 2013 compliance filing.

GRC application that the California Public Utilities Commission (“Commission”) adopted, on July 25, 2013, a settlement agreement that substantially changed residential and commercial rate design for the Monterey County District (except the Toro and Garrapata sub-systems).<sup>2</sup>

Furthermore, the Toro sub-system’s rate design, which the Commission adopted November 8, 2012, has not been in place long enough for California American Water to fully determine its success.<sup>3</sup> California American Water needed time to determine what, if any, changes were necessary for the rate design parameters that were adopted in D.13-07-041 and D.12-11-006.

Although the Commission stated in its scoping memo that it would not consider the proposal to consolidate the Monterey County District’s small sub-systems for ratemaking and billing purposes,<sup>4</sup> California American Water includes in Appendix 1 the proposed rate structures and bill impacts for both the consolidated and non-consolidated approaches.

California American Water’s proposal would consolidate the revenue requirement for the Toro sub-system with the overall revenue requirement for the Monterey County District. The revenue requirements for the Ralph Lane and Ambler Park sub-systems are already consolidated in this manner. Additionally, California American Water’s proposal would harmonize the rate design parameters of Toro, Ambler Park, Ralph Lane, and, eventually, Garrapata.

California American Water believes that the Commission should reconsider its decision to forego consideration of its rate design consolidation proposal for its small sub-systems in the Monterey County District. For one, the Commission approved California American Water’s

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<sup>2</sup> See D.13-07-041.

<sup>3</sup> See D.12-11-006.

<sup>4</sup> California American Water proposes the consolidation of, for ratemaking and billing purposes, the Toro and Garrapata sub-systems with the Ralph Lane and Ambler Park sub-systems. These systems will be moved to a rate structure that is identical, in principle, to the Toro sub-system’s rate structure. Chualar is not part of California American Water’s proposal as the sub-system’s rates are currently subsidized. As discussed in the supplemental testimony of David P. Stephenson, California American Water proposes to move the Garrapata sub-system into the consolidated rate design once all customers are metered. See Supplemental Testimony of David P. Stephenson Rate Design – Central Division, dated Dec. 2, 2013, p.7.

desire to seek full rate consolidation of Toro and Garrapata sub-systems in its subsequent GRC filing.<sup>5</sup> Additionally, California American Water's proposal falls outside of the scope of the ongoing rate consolidation rulemaking (R.11-11-008).<sup>6</sup> California American Water seeks the consolidation of sub-systems that are already part of the Monterey County District. R.11-11-008 is tasked with adopting new or revised guidelines for the *consolidation of districts* – not guidelines for the consolidation of sub-systems. Moreover, as described in David P. Stephenson's direct testimony, the Toro and Garrapata sub-systems: 1) are managed and operated by the same staff that manage and operate the Ralph Lane and Ambler Park sub-systems; 2) are in close proximity to the Ralph Lane and Ambler Park sub-systems; 3) source their water supply from sources similar to Ralph Lane and Ambler Park's sources; and, 4) with the exception of Garrapata, have rates that are fairly similar to Ralph Lane and Ambler Park's rates.<sup>7</sup>

## **II. MONTEREY COUNTY DISTRICT RATE DESIGN GOALS**

The goal of California American Water's rate design proposal for its Monterey County District is to balance the essential needs of customers with California American Water's obligations as the steward of a limited natural resource. As previously mentioned, the Commission recently adopted several significant changes to the Monterey County District's rate

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<sup>5</sup> See D.07-11-034, p. 5 (stating that at the prehearing conference California American Water "confirmed that Toro would have its own separate rate schedule and that any request to consolidate Toro with the rest of the Monterey District will be made in a subsequent application."). See also D.13-01-033, p. 5, footnote 5 (stating that California American Water "expects to request that rates for the Garrapata system be set based on some sort of consolidation of cost of service with other portions of the Monterey District in its next GRC.").

<sup>6</sup> In her June 20, 2012 scoping memo ruling, Commissioner Catherine J.K. Sandoval stated that the scope of R.11-11-008 was: [T]o consider adopting new or revised guidelines for consolidation of districts, some variation of a high cost fund within multi-district utilities, and another mechanism or a combination of them as a means to advance the Commission's water action plan objective of setting rates that balance investment, conservation, and affordability. Inter-company mechanisms will not be explored in this proceeding. Any consideration of mechanisms in addition to consolidation guidelines and a High Cost variant will be informed and bounded by the analysis in this proceeding's workshops, data requests and responses, comments and reply comments, and other information submitted in the record of this proceeding. R.11-11-008 *Assigned Commissioner's Scoping Memo and Ruling*, dated June 20, 2012, pp. 3-4.

<sup>7</sup> See Direct Testimony of David P. Stephenson, dated July 1, 2013, pp. 45-46.

design in the last GRC. At this point in time, California American Water believes that it would not be prudent to make any more significant changes until after it is able to properly assess the effectiveness of the changes adopted in the last GRC.

For the Monterey Main system, California American Water only seeks to update meter and consumption amounts as well as allocation definitions for Mixed Use customers. As for the Monterey County District's small systems, California American Water's goal is to maintain the parameters agreed to by all the parties in the Settlement Agreement approved in D.12-11-006 while eventually harmonizing all the rates in the Toro, Garrapata, Ralph Lane, and Ambler Park sub-systems. Maintaining these parameters for California American Water's Toro sub-system, and application of the same general parameters to the Ambler Park and Ralph Lane sub-systems, allows for the development of new rates that meet the goal of promoting conservation through appropriate price signals.

### **III. CONCLUSION**

California American Water's rate design proposal intends to maintain the rate design parameters adopted in the last GRC while updating vital data and harmonizing the rates in the majority of its small sub-systems. The rate designs adopted by the Commission in D.13-07-041 and D.12-11-006 have not been in place long enough to properly evaluate their effectiveness. The proposal put forth by California American Water allows for an appropriate assessment. Although the Commission has stated that it will forego consideration of California American Water's consolidation proposal for its small sub-systems in Monterey, California American Water believes that the proposal is reasonable and promotes the goals of the parameters adopted in D.12-11-006. California American Water believes that the Commission should reconsider its decision to forego consideration of the consolidation proposal for the Monterey County District's

small sub-systems.

Dated: December 2, 2013

Respectfully submitted,

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